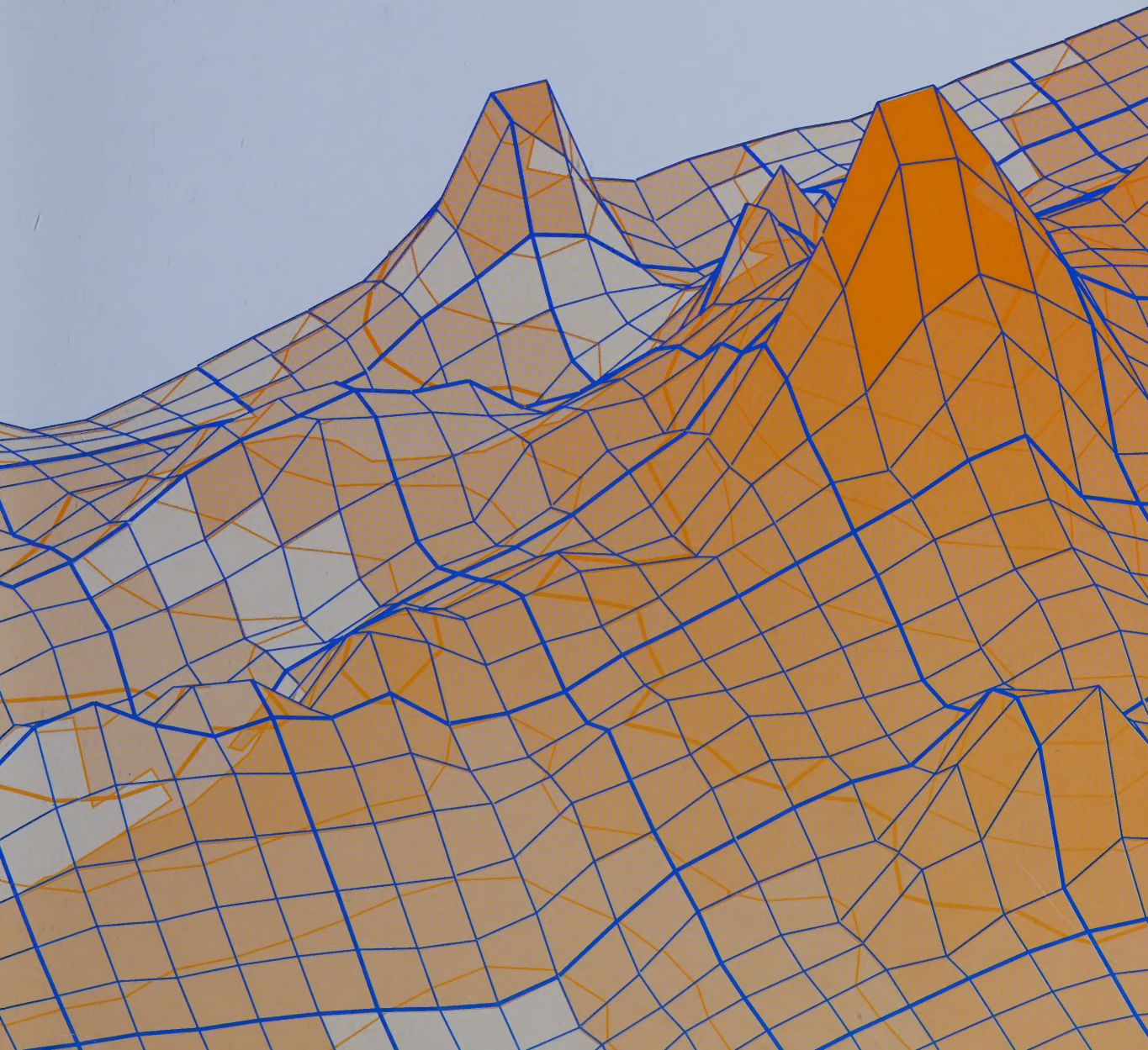


1997 Annual Report

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



Bakrie



CORPORATE PROFILE

Bakrie Minarak Energy Inc. (formerly Clayoquot Resources Ltd.) is an Alberta based, international oil and gas exploration company. Since inception in 1995, the Company has continued to focus its activity in three areas:

- Enhancement of producing properties obtained as a result of completion of its major transaction in April, 1996.
- Development of a portfolio of highly significant exploration properties.
- Pursuit of attractive exploration and development opportunities as they arise.

On October 1, 1997, the Company issued 24,000,000 common shares at a price of \$0.75 per share to Minarak Labuan Co. (L) Ltd., a subsidiary of the Bakrie Group of companies in Jakarta, Indonesia, and the Company became an operating subsidiary of the Bakrie Group and on December 22, 1997, the Company changed its name to Bakrie Minarak Energy Inc.

Prior to the date of the equity issue, the Company had directed the major portion of its activity toward optimization of production from the existing commercial reserves in Canada. Since the date of the major equity issue, the major activity of the company has been directed toward the exploration and development of petroleum resources within the area covering the East Shabwa Block R2 in the Republic of Yemen.

The Company continues to operate with a minimum of staff, preferring to utilize the experience and ability of its Directors and technical advisors selected for their knowledge in particular areas of operations. Although the increased focus on international exploration carries with it an corresponding increase in risk, the Company continually attempts to quantify this risk and has selected the current portfolio of exploration properties as a balance between those properties with known potential in stable countries and those without.

The common shares of the Company trade on the Alberta Stock Exchange under the symbol BAK.A

SUMMARY INFORMATION

	3 Months 1997
Production (year end)	
Oil and natural gas liquids (bbl/d)	42
Sales price (per bbl.)	\$22.47
Natural gas (thousand cubic feet per day)	104
Sales price (per thousand cubic feet)	\$1.89
Reserve value (PV. 15%; pp + 50% pud)	\$1,314,315
	3 Months 1997
Financial	
Revenue before royalties	\$146,360
Cash flow	\$(55,311)
per common share	\$0.01
Net earnings (loss)	\$(91,111)
per common share	\$(0.01)
Working capital	\$605,517
Common shares outstanding @ year end	30,195,340

REPORT TO SHAREHOLDERS

Exploration

In April 1997, the Company entered into an agreement to earn a 33.33% undivided interest in and to a Production Sharing Agreement ("PSA") covering the exploration, development and production of petroleum in Block R2 of the East Shabwa region of Central Yemen. Total consideration for this agreement amounted to \$US 4,288,984. As a condition of the purchase, the Company was named operator of the Block and also received the right to purchase an additional 16.67% interest in the Block by payment of 100% of the costs of the seismic program and the first well.

During the summer, a comprehensive geological exploration program was carried out consisting of 786 km of vibroisic seismic and other field related exploration. In the fall, these seismic data were interpreted by Teknica International of Calgary, Alberta, and a detailed report was prepared. Based in part on the results of the seismic program, and in part on other companies announcements of success in the general area of interest, management recommended to the Board that the Company exercise its option to acquire the additional 16.67%.

On April 29, 1998, the Company acquired the additional 16.67% interest in the PSA by the payment of US \$4.1 million to satisfy the drilling obligations of the first well.

Also, the Company has commenced negotiations with Midwest Energy Companies Inc. ("Midwest") in Tulsa, Oklahoma to acquire a 75% interest in approximately 58,000 acres onshore in the Weald Basin in Southern England and a 100% interest in a 207,000 acre block in the Aquitaine Basin in France plus a 25% interest in 58,000 acres in the Courcivaux Block operated by Coperex.

The acquisitions of the additional Yemen interests and the Midwest properties are anticipated to be completed in 1998. As a result, the scope of the Company will continue to expand. The Company's mission is to take working interests in exploratory, development and appraisal prospects on a global basis, utilizing the directors' and management's abilities to source, evaluate and capitalize upon uniquely attractive opportunities in the petroleum industry for the benefit of the shareholders.

Operations

Domestically, the Company continued to rationalize non-core properties by farmout out of the Airdrie and Steelman properties and selling Zama, Virgo, Smokey, Vegga and Archie. As a result of the farm-out the new operator was able to recomplete two wells and Company's share of production increased by five Bbbls/day. Negotiations commenced with an experienced operator in the Airdrie field which should result in a recompletion of the well in that area and a corresponding increase in production. Internationally, the focus was the review of the Yemen seismic and selection of the initial drilling location.

Financial

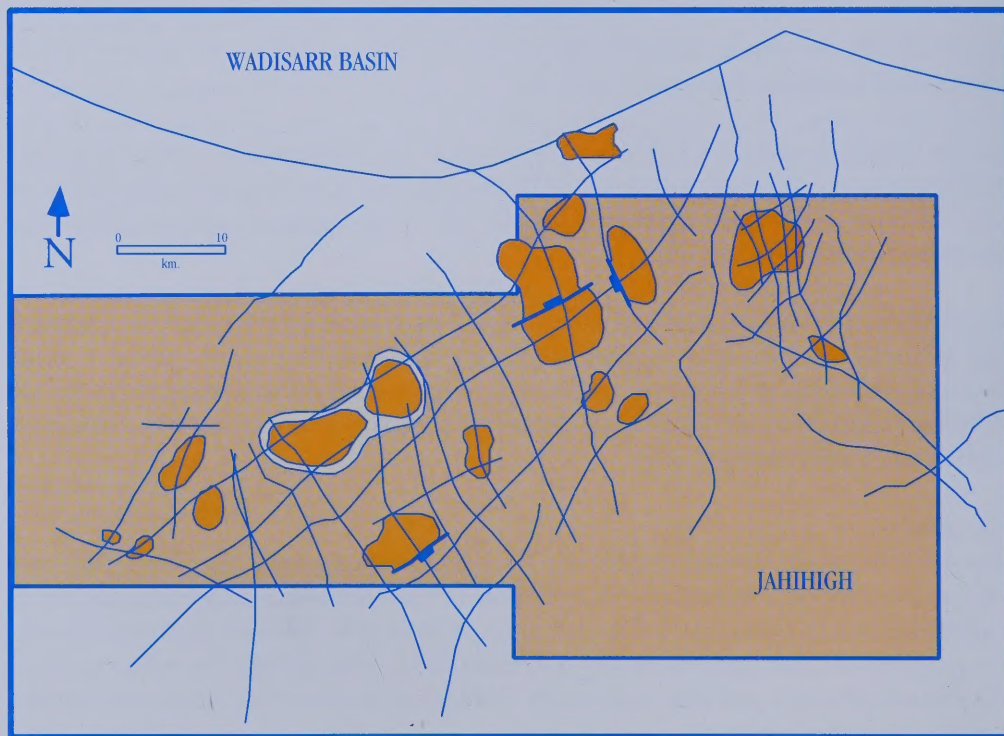
In September, the Company completed a private placement of 24 million Common Shares to Minarak Labuan Co. (L) Ltd. ("Labuan") at \$0.75 per share. Labuan is an associate company of the Bakrie Group of companies with headquarters in Jakarta, Indonesia. Substantially all of the funds so raised were used to acquire a 50% interest in Block R2 Yemen as detailed elsewhere in the report.

At year end, the Company is well positioned to carry out the first phases of its exploration programs. It has no debt and a strong working capital position. Cash flow from domestic operations continues to fund corporate needs and provide the capital necessary to enhance and maintain existing production.

In 1998, the Company intends to raise the ongoing development requirements for the Yemen program by way of a prospectus offering of common shares and additional private placements. Shareholders will be advised when this occurs.

Calgary, May 15, 1998

Ian Henderson,
Vice President



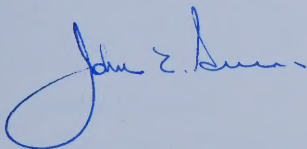
Management's Responsibility for Financial Statements

Management is responsible for the information contained in this Annual Report. The change in control of the Company resulting from the purchase of 24,000,000 common shares by Minarak Labuan Co. (L) Ltd. has resulted in elimination of historical financial information for comparison purposes.

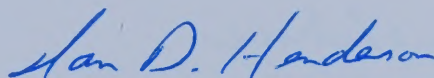
The accompanying financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Where necessary, management has utilized estimates using outside consultants or other relevant information, especially in those instances where current operations are influenced by expected future events.

Management has implemented and maintained a system of internal controls which are designed to provide reasonable assurance that assets are safeguarded from loss and that transactions are maintained in a careful manner to provide reliable financial information.

The Audit Committee of the Board has reviewed the financial statements with management and with Coopers & Lybrand, the Corporations external auditors. The financial statements have been approved by the Board of directors on the recommendation of the Audit Committee



John E. Burns,
President & C.E.O.



Ian Henderson,
Vice President

Auditors' Report

To the Shareholders of Bakrie Minarak Energy Inc.,

We have audited the balance sheet of Bakrie Minarak Energy Inc. as at December 31, 1997 and the statements of loss and deficit and changes in financial position for the period from October 1, 1997 to December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants

Calgary, Alberta

March 21, 1998 except for note 8 which is as of May 21, 1998

BALANCE SHEET

Bakrie Minarak Energy Inc. (formerly Clayoquot Resources Ltd.)

As at December 31, 1997

\$

Assets

Current assets

Cash	25,221
Accounts receivable	226,311
Due from affiliated companies (note 8(b))	413,403
Deposits	66,205
	731,140

Capital assets (notes 3 and 4)	15,041,248
	15,772,388

Liabilities

Current liabilities

Accounts payable and accrued liabilities	125,623
Provision for abandonment costs	62,692
	188,315

Shareholders' Equity

Share capital (note 6)	20,163,209
Deficit	(4,579,136)
	15,584,073
	15,772,388

Basis of presentation (note 1)

Signed on behalf of the Board,

H. Bernier

Director

J. Powell

Director

STATEMENT OF LOSS AND DEFICIT

Bakrie Minarak Energy Inc. (formerly Clayoquot Resources Ltd.)

For the period from October 1, 1997 to December 31, 1997

	\$
Revenue	
Oil and gas	146,360
Royalties	(12,237)
	134,123
Expenses	
Production	75,338
General and administrative	114,096
Depletion and amortization	35,800
	225,234
Net loss for the period	(91,111)
Deficit - Beginning of period	-
Acquisition of oil and gas properties (note 8(a))	(4,488,025)
Deficit - End of period	(4,579,136)
Loss per share (note 6)	(0.01)

STATEMENT OF CHANGES IN FINANCIAL POSITION

Bakrie Minarak Energy Inc. (formerly Clayoquot Resources Ltd.)

For the period from October 1, 1997 to December 31, 1997

	\$
Operating activities	
Net loss for the period	(91,111)
Items not affecting cash -	
Depletion and amortization	35,800
Cash flow from operations	(55,311)
Changes in non-cash working capital *	(59,191)
	(114,502)
Financing activities	
Issue of common shares to Minarak Labuan Co. (L) Ltd., net of issue costs	17,937,899
Issue of common shares for Clayoquot Resources Ltd.	1,543,712
Private placement of common shares issued, net of issue cost	600,598
Stock options exercised	81,000
Repayment of long-term debt	(25,000)
	20,138,209
Investing activities	
Acquisition of Clayoquot Resources Ltd. (net of cash acquired)	(1,100,010)
Additions to capital assets	(18,483,073)
Advances to related parties	(415,403)
	(19,998,486)
Increase in cash	25,221
Cash - Beginning of period	-
Cash - End of period	25,221

* Consisting of accounts receivable, deposits, accounts payable and accrued liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Bakrie Minarak Energy Inc. (formerly Clayoquot Resources Ltd.)

For the period from October 1, 1997 to December 31, 1997

1. Basis of presentation

Clayoquot Resources Ltd. ("Clayoquot") or the ("Company") was incorporated as a Junior Capital Pool Company under the Business Corporations Act (Alberta) on July 18, 1994. Clayoquot completed its major transaction and obtained an exchange listing on the Alberta Stock Exchange on February 18, 1995. On October 1, 1997, the Company issued 24,000,000 common shares at a price of \$0.75 per share to Minarak Labuan Co. (L) Ltd. ("ML"), a subsidiary of the Bakrie Group of companies in Jakarta, Indonesia, and the Company became an operating subsidiary of the Bakrie Group. In addition, on December 22, 1997, the Company changed its name to Bakrie Minarak Energy Inc.

Prior to the date of the equity issue, the Company had directed the major portion of its activity toward optimization of production from the existing commercial reserves in Canada. Since the date of the major equity issue, the major activity of the company has been directed toward the exploration and development of petroleum resources within the area covering the East Shabwa Block R2 ("Yemen Property") in the Republic of Yemen ("ROY").

At December 31, 1997, commercial production has not been achieved in the exploration area operated by the Company. As a result, all costs associated with the Yemen Property have been capitalized as exploration costs (notes 4 and 8). The ultimate recovery of these costs is dependent upon the discovery of economically recoverable reserves, the maintenance of the necessary agreements with the Ministry of Mineral Resources in Yemen and the ability to obtain the financing necessary to complete the development of the Yemen Property.

2. Accounting policies

Oil and gas properties

The Company follows the full cost method of accounting whereby all costs of exploration for and development of oil and gas reserves are capitalized on a country by country cost centre basis. Such costs include lease acquisition costs, geological and geophysical expenditures, carrying charges on non-production properties, costs of drilling both productive and non-productive wells and administrative expenses related to exploration activities. All recoveries of costs through sale of petroleum and natural gas properties are credited against the cost of oil and gas properties, except when a disposition would result in a significant change in the Company's depletion rate, in which case a gain or loss is computed and recognized.

Costs accumulated within each cost centre are depleted using the unit-of-production method based on estimates of gross proved reserves before royalties and combines oil and natural gas on an energy equivalent basis. For certain properties independent evaluation reports are not available and estimates have been determined by management.

Costs of exploration in new cost centres, together with related land costs, are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties, or if impairment has occurred.

In applying the full cost method, for each cost centre, the Company calculates a ceiling which restricts the capitalized costs less accumulated depletion and related deferred income taxes from exceeding an amount equal to the estimated future net revenues from proven reserves (after adjusting for estimated future general and administration, financing costs, site restoration and abandonment and corporate income taxes, if any) plus the lower of cost and estimated fair value of the Company's undeveloped acreage. If capitalized costs exceed the "cost centre ceiling", the excess costs are written-off as additional depletion. A second ceiling test is calculated on an enterprise basis. Future net revenues are based on prices and costs prevailing at year-end.

Provision is made for future abandonment costs of oil and gas properties. This provision is charged to earnings over the estimated life of the proven oil and gas reserves, and is included in depletion and amortization expense.

Joint ventures

Substantially all the exploration and development activities related to oil and gas are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Office equipment

Amortization of office equipment is based on the amortized useful life and is calculated using the declining balance method at a rate of 20% per year.

Income taxes

The Company follows the tax allocation method of accounting for the tax effect of the timing difference between taxable and accounting income. Timing differences arise when the Company claims capital cost allowances, resource deductions and other expenditures for tax purposes in amounts differing from those charged to expenses in the financial statements.

Segmented information

The Company currently conducts all of its activities in the oil and gas industry in Canada, Yemen, and France.

Foreign currency translation

Foreign currency denominated monetary assets and liabilities are translating to Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign currency gains and losses are included in earnings of period in which they arise.

3. Issue of shares to Minarak Labuan Co. (L) Ltd.

On October 1, 1997, Minarak Labuan Co. (L) Ltd. ("ML"), a subsidiary of Bakrie Investindo Co. Ltd. (a privately held Indonesian company) ("BI") acquired 24,000,000 units of the Company for \$0.75 per unit realizing net proceeds of \$17,937,899 after issuance costs of \$62,101. Each unit consists of one Class A common share and one Class A common share purchase warrant. Each Class A common share purchase warrant entitles the holder to acquire one additional Class A common share at a price of \$0.75. The Class A common share purchase warrants expire on September 30, 1999.

Concurrent with this issuance of shares, the Company acquired a 33% interest in the Yemen Property and an option to earn an additional 16 2/3% from Bakrie Minarak Petroleum ("BMP"), a subsidiary of ML, for a cash consideration of U.S. \$4,288,984 (note 8).

As a result, for accounting purposes, ML is deemed to have acquired Clayoquot and accordingly the acquisition has been accounted for as a reverse take-over. As a result, these financial statements include the results of operations of Clayoquot from October 1, 1997. The assets and liabilities of Clayoquot are included in these financial statements at their fair values from the effective date of the transaction.

The fair value of the net assets acquired by ML were allocated as follows:

	\$
Cash	443,702
Accounts receivable	170,002
Capital assets	1,075,000
Accounts payable and accrued liabilities	(62,300)
Provision for abandonment costs	(57,692)
Long-term debt	(25,000)
	1,543,712

As consideration for these assets, the shareholders of Clayoquot held 5,210,000 common shares with an imputed value of approximately \$0.30 per share.

4. Capital assets

	Cost	Accumulated depletion and amortization	1997 December 31
	\$	\$	\$
Canada			
Oil and gas properties	1,213,717	30,100	1,183,617
Office equipment	13,162	700	12,462
	1,226,879	30,800	1,196,079
Yemen			
Oil and gas properties	13,636,953	-	13,636,953
France			
Oil and gas properties	208,216	-	208,216
	15,072,048	30,800	15,041,248

- (a) During 1997, administrative expenses related to exploration and development activities were capitalized as part of oil and gas properties expenditures in Yemen in the amount of \$308,331.
- (b) The capitalized cost of assets in France represent a non-refundable deposit on certain properties owned by an unrelated company. Should the acquisition of these properties not be consummated, the Company would forfeit this deposit and these costs would be charged to earnings.

5. Credit facility

At December 31, the Company had a revolving line of credit in the amount of \$100,000 bearing interest at prime plus 1.5%. As at December 31, 1997, no amounts had been drawn under this facility. Collateral provided for this facility consist of:

- first fixed and floating charge debenture of \$1,000,000 over the Canadian assets of the Company
- promissory note for amounts available under the credit facilities
- general security agreement

6. Share capital

Authorized -

An unlimited number of Class A common shares

An unlimited number of first or second preferred shares, issuable in series

Class A Common shares issued -

	Number of shares	Amount \$
Balance - January 1, 1996	5,210,000	-
Issued to Minarak Labuan Co. (L) Ltd. (net of share issuance costs of \$62,101) (note 3)	24,000,000	17,937,899
Issued for cash through private placements	685,340	625,598
Stock options exercised	300,000	81,000
Reverse take-over of Clayoquot Resources Ltd. (note 3)	-	1,543,712
	30,195,340	20,188,209
Less amounts unpaid	-	25,000
Balance - December 31, 1997	30,195,340	20,163,209

Pursuant to the junior capital pool offering made by Clayoquot in 1996, 679,340 common shares of the Company are held in escrow by current and former directors and officers of the company. In addition, 24,000,000 common shares held by Minarak Labuan Co. (L) are held in escrow as at December 31, 1997.

Stock options

Pursuant to the terms of a stock option plan, options may be granted to directors and certain key employees to purchase common shares of the Company. At December 31, 1997, options covering 620,000 shares at prices ranging from \$0.75 to \$1.00 per share were outstanding. Options expire 5 years after the date granted.

Loss per share

Basic loss per share is calculated based on the weighted average number of shares of 11,600,139 common shares outstanding during the year. The effect of exercising options and warrants on loss per share is anti-dilutive in 1997.

7. Income taxes

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial income tax rate of 44.6% to earnings before taxes. The reasons for this difference are as follows:

	\$
Loss before taxes	(91,111)
Expected tax recovery	(40,640)
Crown royalties	4,210
Non tax base depletion	7,000
Benefit of loss carry forward not recognized	29,430
Deferred income taxes	-

8. Related party transactions

(a) Acquisition of Yemen property

On October 1, 1997, the Company received \$18,000,000 (US \$13,050,000) from the issuance of 24,000,000 units to Minarak Labuan Co. (L) Ltd. ("ML"), a subsidiary of Bakrie InterInvestindo Co. Ltd. ("BII") at \$0.75 per unit. Each unit consists of one Class A common share and one Class A common share purchase warrant. The Class A common share purchase warrants are convertible into one Class A common share on payment of \$0.75 and are exercisable anytime up to September 30, 1999.

Effective April 1, 1997, the Company entered into a farm-out and option agreement with Bakrie Minarak Petroleum Company Ltd. ("BMP"), a company owned 90% by ML and 10% by the President of the Company, whereby the Company earned an undivided 33.33% working interest, with an option to acquire an additional 16.67%, in and to a Production Sharing Agreement ("PSA") in Block R2 in the Republic of Yemen and become operator of the Block. The Company reimbursed BMP for its proportionate share of the acquisition costs and preliminary field geological program carried out on behalf of BMP by BII amounting to US \$4,288,984.

The farm-out and option agreement also provided that the Company could earn an additional 16.67% working interest in and to the PSA by payment of 100% of the costs of the seismic program and initial exploration well required by the PSA. After review of the seismic interpretation, the Board exercised its option and reimbursed BMP for the costs of the field seismic program carried out by BII on behalf of BMP amounting to US \$4,243,764.

Subsequent to the year-end, the Company paid \$5,865,050 (US \$4,100,000) to BMP as consideration for that company assuming the obligation to drill the initial exploration well as required by the farm-out and option agreement. In return BMP acknowledged, subject to audit by the Republic of Yemen, that the Company was deemed to have completed all of the obligations required under the farm-out and option agreement and the additional 16.67% working interest in and to the PSA

was transferred to the Company by BMP.

As all these transactions are between companies under common control, for accounting purposes the working interests acquired have been recorded at the vendor's carrying amount in accordance with Canadian generally accepted accounting principles.

The difference between the payments made to BI to earn a 50% working interest in the Yemen R-2 exploration project and the actual costs incurred by BI has been charged to retained earnings as follows:

	Cdn. \$
Amounts paid to BI -	
To December 31, 1997	12,259,928
Subsequent to December 31, 1997	5,865,050
	18,124,978
BME's 50% share of the total Yemen R-2 exploration costs	13,636,953
Difference charged to retained earnings	4,488,025

(b) Due from affiliated companies

(i) In June 1997, the Company entered into an agreement with BMP whereby BMP will provide office space and secretarial services for a fee of \$15,000 per month. During the year, BMP requested an advance against the contract in order that it could complete the renovations to the space that it had leased on behalf of both companies. At December 31, BMP owed the Company \$206,484 in respect of amounts paid on its behalf.

Advances of \$206,919 to B1 were repaid subsequent to the year-end.

9. Financial instruments

The Company's financial instruments recognized in the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities and due from affiliated companies, the fair values of these financial instruments approximate their carrying amounts due to the short-term maturity of these instruments.

The Company has not entered into derivative financial instruments to manage its exposure to commodity risk.

10. Segmented information

	Canada	Yemen	France	Corporate	Total
	\$	\$	\$	\$	\$
Assets	1,567,816	13,636,953	208,216	359,403	15,772,388
Net earnings (loss)	22,985	-	-	(114,096)	(91,111)

11. Subsequent event

On April 17, 1998, the Company signed a letter of agreement to acquire all of the petroleum interests located in England and France owned by Midwest Energy Companies Inc. of Tulsa, Oklahoma, in return for 8,759,000 common shares of the Company, subject to shareholder and regulatory approval.

CORPORATE INFORMATION

DIRECTORS

Nirwan D. Bakrie
Chairman, Bakrie Capital Indonesia

John E. Burns
President & Chief Executive Officer

Jay A. Alatas
President & Chief Executive Officer
PT. Bakrie Investindo

David E. Powell
Corporate Director

Harry J. F. Bloomfield, Q.C.
Partner Bloomfield & Associates
Montreal, Quebec

Anton S. Setianto
Corporate Director

AUDITORS

Coopers & Lybrand
Calgary, Alberta

ENGINEERING CONSULTANTS

Chapman Petroleum Consultants Ltd.
Calgary, Alberta

Ryder Scott Company
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Montreal Trust Company of Canada
Calgary, Alberta

Produced by Strategic Design Ltd.

OFFICERS

Nirwan D. Bakrie
Chairman of the Board

John E. Burns
President & Chief Executive Officer

Ian D. Henderson
Vice President, Canadian Operations

Joesril A. Hainim
Vice President, International Exploration

T. W. Robinson
Secretary

Leigh D. Stewart
Assistant Secretary

SOLICITORS

Johnston Robinson Clark
Calgary, Alberta

OFFICE

Suite 1306, 333 - 7th Avenue SW
Calgary, Alberta
T2P 2Z1
Tel: (403) 216-5130
Fax: (403) 216-5135

STOCK EXCHANGE LISTING

Alberta Stock Exchange
Trading Symbol: "BAK.A"

Printed in Canada

ANNUAL GENERAL AND SPECIAL MEETING

Shareholders and members of the public who are interested in receiving more information are invited to attend the Company's Annual and Special Meeting to be held at the office of Johnston Robinson Clark, 930 Alberta Stock Exchange Tower, 300 - 5th Avenue S.W., Calgary, Alberta at 11:00 a.m. on Wednesday, July 8th, 1998.



Bakrie

Suite 1306, 333 - 7th Avenue SW
Calgary, Alberta T2P 2Z1
Tel: (403) 216-5130 Fax: (403) 216-5135
E-mail: Ian@Bakrie-Minarak.com

